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Overall Planning Needed for Effective U.S. Policy

Twenty-eight months after George C. Marshall, then Secretary of State, established the Policy Planning Staff in the State Department, the United States still lacks a long-range program for dealing with world affairs, either on a continental, regional or global basis, or country by country. Addressing the United States National Commission of UNESCO on September 9, Assistant Secretary of State George V. Allen said that American foreign policy "is made up at any given moment" as new problems arise.

Improvised Foreign Policy

This reliance on improvisation gives the United States action in world affairs the appearance of shreds and patches, incomplete and often inconsistent. It delays the making of decisions until the alarms of crisis ring, as though foreign policy were some sort of fire-fighting equipment. It encourages the seeking of contradictory goals by incompatible policies, like the simultaneous efforts to free Japan from its economic dependence on us and yet to restrict Japanese commerce, or the effort to restore prosperity to Europe while we discourage trade between West and East on the continent. The tendency to develop foreign policy on a piecemeal basis creates the need for constant changes. For example, the current British-American economic conversations in Washington mark the fourth time since the end of World War II that the United States has sought ways to help the British to recover their international economic stability. By now it is apparent that while the $3,750,000,000 loan of 1946, the waiving in 1947 of the British commitments to make sterling balances abroad freely convertible, and the Marshall Plan all have served to shore up Britain's economy, none has gone to the roots of the difficulties that prevent British recovery.

The habit of improvising, moreover, diverts the nation from the need of invoking policies that can complement existing programs. In submitting the Marshall Plan to Congress on December 19, 1947 President Truman said: "In the past, the flow of raw materials and manufactured products between Western Europe, Latin America, Canada and the United States has integrated these areas in a great trading system. In the same manner, Far Eastern exports to the United States have helped pay for the goods shipped from Europe to the Far East. . . . The failure to revive fully this vast trading system . . . would result in economic deterioration throughout the world." Yet the United States has not complemented the Marshall Plan with policies designed to stimulate Far Eastern exports to America and to increase the flow of raw materials and manufactured products between Latin America, Europe and the United States. The vast trading system has by no means been "revived fully."

One phase of American economic policy in Germany illustrates the cost of improvisation. Without considering the effect of such a policy on our dollar-short friends in Western Europe, the United States, when the Marshall Plan began to function in the spring of 1948, obliged Germany and the nations with which it traded to settle their balances in dollars. This requirement interfered with serving other American objectives. It delayed Germany's revival by limiting the amount of its products which other Europeans, poor in dollars, could buy, although the United States also intended to promote German recovery in order to reduce the burden of subsidies paid by American and British taxpayers. By the end of 1948 goods valued at $2 billion had been imported into Western Germany at the expense of Britain and the United States.

Meanwhile, the course we followed in Germany delayed the recovery of countries we sought to help through the Marshall Plan, notably the Netherlands. Germany could not make large purchases in these countries under the dollar system. By June 1949 Dutch-German commerce had regained only 25 per cent of its prewar value, and Dutch transit trade in goods coming from and bound for Germany—a primary factor in the Netherlands' prewar economy—lagged seriously. The problems faced by The Hague in Indonesia intensified the need for revival of commerce and transit trade with Germany. Recognizing this issue only after it had assumed a critical character, the United States revised its policy by accepting a Dutch-German trade agreement signed on September 8. The agreement authorizes the financing of trade between the two countries by marks and guilders. Yet outside of Germany Washington remains reluctant to admit that the United States cannot promote worldwide recovery as long as it relies on programs which, as is currently the case with the Marshall Plan, tie our beneficiaries' trade to the dollar. Such ties, artificially restraining the flow of

commerce, restrict that free enterprise which many Americans want to promote.

Harm to Public Opinion

Assistant Secretary of State Allen told the United States National Commission of UNESCO that foreign policy is subject to change as public opinion fluctuates. It is true that many individual Americans do not approach foreign policy consistently. For example, Republican Senator Arthur H. Vandenberg of Michigan, who more than any other member of the Senate was responsible for the enactment of the Marshall Plan last year, favors limiting the American market for producers of the European countries that seek recovery through the plan. On September 8 he urged the Senate to include in the trade agreements act, then under debate, a protectionist clause requiring the Tariff Commission during trade negotiations with foreign governments to notify the President when proposed duty concessions might, in the opinion of members of the Commission, imperil an American industry. Other Americans are torn between the belief that their country should play an active role abroad and the wish to economize, although foreign commitments are invariably costly. Thus Republican Senator John Foster Dulles of New York voted for the North Atlantic pact but recommended a reduction in the funds the Administration requested Congress to authorize in the Military Assistance Bill, reported favorably by the Senate Foreign Relations Committee on September 9.

The cycle of improvising, changing and again improvising American foreign policy encourages inconsistencies in public opinion and limits opportunities the American people have to obtain a lucid understanding of the nature of our international problems. A new effort to give the State Department's Policy Planning Staff the role of long-range policy-maker which Secretary Marshall apparently intended for it would benefit and strengthen the country. At the same time, government officials and the public must recognize the existing difficulties of reconciling the often divergent views of the many agencies now concerned with the making of foreign policy—the State Department, the ECA, the Treasury, the Department of Defense—and of coordinating such policies as these agencies may eventually agree on with the wishes of Congress.

BLAIR BOLLES

Washington Talks Face Long-Term Dollar Problem

The American, British and Canadian foreign and finance ministers, in talks which began in Washington on September 7, came to grips for the first time with world economic problems requiring broad, long-term solutions. Yet the concrete decisions they have so far taken consist of temporary expedients designed to bolster up the sterling area against the deluge of early bankruptcy. The steps still to be taken by the International Bank for Development and Reconstruction and the International Monetary Fund, in conference since September 13, may not go much further. The one encouraging note was the recognition—voiced by President Truman before the American Legion in Philadelphia on August 29—that "we cannot succeed in creating a sound and expanding world economy unless we keep everlastingly at it."

Beyond the Marshall Plan

This recognition supersedes the concept behind both the 1945 loan to Britain and the Marshall Plan that sufficient dollar credits would enable Western Europe to achieve a workable balance of payments within the relatively short period of five years. Now, for the first time, the accent is not on "recovery" from the effects of the war but on the problem of a basic transition in world economic conditions. In the past four years the British have become increasingly aware that they are recovering not only from six years of war but from economic dislocations that extend back to 1914 and earlier. And the United States, as Canadian Finance Minister Douglas Abbott pointed out on September 8, has become aware of the extent of its responsibility for economic leadership as "virtually the sole creditor country in the world, virtually the only country of any size which has almost complete freedom of action in the field of international economic policy."

Despite these realizations of the scope of the problem and the new role of the United States, American delegates at the Washington talks confined themselves to a narrow range of immediate remedies, leaving the door open for broader future steps. "Trick solutions" and "nostrums" were ruled out in advance by the President and by Sir Stafford Cripps, Chancellor of the Exchequer — although they undoubtedly had different ideas as to what constituted such palliatives. Also ruled out in advance was a new United States government loan or increased Economic Cooperation Administration appropriations. British officials, with considerable knowledge of Congressional reactions over the past decades, did not expect a new grant. They were seeking not more dollars but more opportunities to earn dollars.

Two other suggestions, frequently made in Britain, were quickly dismissed by Secretary of the Treasury John W. Snyder: a proposal to raise the price of gold and thus increase the dollar earning capacity of such gold-producing nations as South Africa and Canada; and release of Britain from the provisions of Section 9 of the Anglo-American loan agreement of 1945 which prohibits discrimination against dollar imports (i.e. Britain in cutting its imports may not buy Rhodesian tobacco in preference to American tobacco when the American product is comparable in price and quality to the sterling area commodity). However, both the American and Canadian delegates agreed that exceptions to Section 9 "should be considered . . . subject to continuing review" by the three governments.

After these reservations, the adopted decisions, summarized in a three-power communique issued September 13, represent certain pledges for short-term action coupled with broader commitments for further consultation and study. Britain was assured permission to spend ECA funds in Canada to buy wheat. The United States agreed to increase its strategic stockpiling purchases of rubber and tin and to modify its synthetic rubber regulations "to open a substantial additional area of competition" for natural rubber. Britain recognized the necessity for "a vigorous attack on the costs of production" in the sterling area as well as for "appropriate incentives" for exporters to dollar markets. The United States undertook to revise its customs procedures and noted that it was American policy to work toward further tariff reductions within the framework of the Reciprocal Trade Agreements Act.

Revision of customs procedures represents a limited method of effectively lowering American tariff barriers without Congressional approval. Although such back-door measures may be expedient

while the Administration is fighting in the Senate for renewal of the act, Congress—as the communique indicates—must squarely face the tariff queston before the world dollar shortage can come to an end. British economists estimate that if the United States could increase its total spending on imports from 4.5 per cent to 7.5 per cent of its national income, the dollar difficulties of the entire world would end. The most feasible way of accomplishing this, according to the Europeans is not so much by depressing their own export prices but as by whittling away at tariff differentials.

In addition to these short-term measures, the Washington discussions also touched on the possibility of increasing American investments abroad, in the British Commonwealth particularly, under President Truman's Point Four program. This proposal, linked primarily to the private investment market, is unlikely to receive much impetus until the deep-rooted disequilibrium of the sterling area begins to right itself. Further study of petroleum production and world shipping problems were called for by the three governments. Britain's large debts to India, Egypt and other countries in the form of sterling balances were recognized as a distorting influence on the direction of Britain's exports, but this recognition is nothing new in Anglo-American economic consultation. The question of what is to be done about the sterling balances still remains for Britain and its creditors to work out.

In the offing, meanwhile, is the possibility of devaluation of the pound, a question bound to be raised at the meeting of the International Monetary Fund. Although Sir Stafford Cripps believes the Washington decisions have brought the sterling area's reserve position into "manageable condition," thus making the issue of devaluation an academic one, it is yet to be proved that pressure on the pound—and on other world currencies—has been relieved.

The "dollar" talks have not yet produced a solution for all the fundamental world economic problems inherent in the sterling area crisis, but it is significant that the United States and Canada, as well as Britain, are now facing them on a long-term basis.

Britain's Alternative

It is not widely recognized in the United States (and the American public is probably less aware of its stake in the Washington talks than the British man-in-the-street is said to be of his) that Britain has an alternative to continued dependence on American loans and assistance. This alternative is not an easy one for Britain, nor will it serve British interests as much as the "one world" sought by Foreign Secretary Ernest Bevin. It is the possibility of developing in the sterling bloc the nucleus for a "high trade area" of non-dollar countries trading among themselves behind preferential tariff systems and other discriminatory devices. Lord Beaverbrook and a wing of the Conservative party favor this approach, and the Labor government has already taken a number of steps to foster Commonwealth autarchy. Although this tendency is anathema to the United States, European economists believe that sterling devaluation might prove an important move in that direction.

The British face many difficulties in consolidating the sterling bloc as a closed trade area. For, as the late Lord Keynes commented in 1945, such a bloc would consist of countries to which Britain owed more than it could afford to pay and which would agree on a mutual exchange of goods neither Britain nor its creditors could supply. However, if the sterling area finds it impossible to earn dollars in sufficient quantity, it will not be able to spend dollars. In that case, although the transition may be painful, nations with chronic dollar shortages may eventually find ways of meeting their mutual needs. Section 9 will then be relegated to the archives with other international agreements that did not meet the test of economic realities, and the world will become even more divided, politically as well as economically, than it is today.

William W. Wade

European Assembly Seeks to Expand Its Role

The Consultative Assembly of the Council of Europe whose first, month-long session closed at Strasbourg on September 8 surprised not only observers but its own members by its insistence on playing an active role in European union and by the demand for concrete action concerning the continent's principal political and economic problems. The seating arrangement, organized alphabetically by individuals and not, as is the practice at international gatherings, by national delegations, is reported to have played a significant part in mitigating nationalistic frictions. More important, probably, was the feeling of immediate crisis and anxiety about the future created by Britain's dollar shortage, which on a lesser scale is shared by other Marshall Plan nations, and by the realization that Europe must be organized to withstand the shock that is bound to come when ERP aid will end in 1952.

The Council of Europe had been established on May 5, 1949 when the representatives of ten nations—Belgium, Britain, Denmark, Ireland, France, Italy, Luxembourg, Norway, Sweden and the Netherlands — signed the Council Statute in London. The Statute declares that a state may belong to the Council only if it accepts "principles of the rule of law and of enjoyment by all persons within its jurisdiction of human rights and fundamental freedoms." When the Consultative Assembly gathered on August 8, Greece and Turkey, as anticipated in the Statute, were invited to join. Following the West German elections of August 14 Winston Churchill, a vigorous leader of the European Movement which effectively contributed to the foundation of the Council, proposed that the admission of the West German state should be considered at the next session in December. One of the first resolutions adopted by the German Parliament which opened at Bonn on September 8 requested admission to the Council on behalf of the West German state.

Composition of Council

The Council of Europe consists of the Committee of Ministers (corresponding to a cabinet), the Consultative Assembly (corresponding to a parliament), and a Secretariat. Each member state has one representative on the Committee of Ministers which recommends means of promoting the Council's aims and requests members to report on action taken to implement these recommendations. The Committee, which is to meet in secret, has no power to enforce its decisions.

The Consultative Assembly is composed of 101 representatives. Britain, France and Italy each has 18; Turkey 8; Belgium, Greece, the Netherlands and Sweden, 6 each; Denmark, Ireland and Norway, 4 each; Luxembourg, 3. This apportionment

corresponds roughly to the size of the respective countries' population. Each participating state decides how its delegation is to be chosen. At the first session Communists were excluded from all delegations; and the Labor representatives in the British group were at moments embarrassed by the acclaim given to the Opposition leader, Winston Churchill, and by open clashes on policy between Labor and Conservative spokesmen. In spite of vigorous denunciations of Russia's overuse of the veto in the United Nations, the Western European states provided in the Council Statute that all resolutions of the Consultative Assembly will require a unanimous vote; expressions of its "wishes," however, will go through by a two-thirds vote.

Assembly Takes Lead

Originally it had been expected that, as provided in the Statute, the Assembly, whose debates are open to the public, would make its wishes known to the Council of Ministers, but that the latter would determine the agenda of the Assembly, which was to serve as a sounding-board for "the aspirations of the European peoples." From the outset, however, the Assembly, under the chairmanship of former Belgian Prime Minister Paul-Henri Spaak, took matters into its own hands. It urged creation of a European political authority "with limited functions but real powers." It did not go so far as to accept the idea of a European economic union, but proposed preferential tariff arrangements on the continent, currency convertibility, and negotiations with the United States for American tariff reductions. It discussed the creation of a European economic commission which would presumably replace the Organization for European Economic Cooperation (OEEC) that has hitherto served primarily as a clearing-house for channeling to Washington the requests of the Marshall Plan countries. It adopted a code of human rights. Most important of all for its own future, it asserted the right to fix its agenda and to have a permanent steering committee.

While European union is still far from realization, and the many hurdles that have hitherto prevented its creation are yet to be overcome, the Strasbourg meeting offers encouraging evidence that many Europeans are beginning to sense the dangers of nationalism, especially in economic affairs, and are giving serious thought to possible remedies through limitations on national sovereignty.

VERA MICHELES DEAN

Radio Address by Brooks Emeny

Brooks Emeny, President, Foreign Policy Association, will be one of the speakers on America's Town Meeting of the Air in the auditorium of the Department of the Interior, broadcast from Washington, D.C. on Tuesday evening, October 18. This meeting, entitled "Report to the People," will be the official homecoming of the Round-the-World Seminar, and will maintain its spirit of peoples-to-peoples communication. The other participants will be George V. Denny, Jr., Althea K. Hottel and Chester S. Williams.

Foreign Policy Association members planning to be in Washington that evening should write for cards of admission to Miss Roma Sherwin, Town Hall, Inc., 123 West 43rd Street, New York 18, N. Y.

Point 4 Aid for Britain?

During the three-power financial talks in Washington, the possibility was mentioned that the United States might aid the development of Britain's colonial possessions under the Point Four program. What are the objectives and prospects of this program? READ:

The Major Foreign Powers, by John C. Ranney and Gwendolen M. Carter. New York, Harcourt, Brace, 1949. $7.50

An impressive up-to-date study in comparative government embracing Britain, France, the Soviet Union and China by two Smith College political scientists. A clear and readable textbook of 865 pages, each section standing alone as almost a volume in itself.

News in the Making

Taking ECA Administrator Paul G. Hoffman at his word about the need for *increase of Marshall Plan countries' exports to the United States,* France, Belgium and the Netherlands, following Britain's example, have announced elaborate plans for expanding sales of their products in this country. . . . Contrary to general expectations, *Karl Arnold,* prominent left-wing leader of the German Christian Democratic party, was elected president of the upper chamber of the Bundestag at Bonn on September 8 with the support of the Social Democrats, defeating Hans Ehard, Minister-President of Bavaria and champion of Bavarian separatism. . . . Accusations of Argentine complicity in the *Bolivian rebellion,* now in its third week, have been made by the Party of the Revolutionary Left, which thus far has maintained a hands-off position in the struggle between government forces and those of the right-wing Nationalist Revolutionary Movement which is leading the revolt. In Buenos Aires the government press has been ordered to cease favorable reporting of the rebels' movements, and the frontier with Bolivia has been closed. . . . The world's economic woes have affected even *the fortress island of Malta.* The island's Premier, Paul Boffa, told the parliament on September 9 that unless Britain turned over a share of its ECA aid the government—whose foreign policy is controlled by London—would seek direct assistance from the United States in exchange, perhaps, for use of its territory as an American base. . . . The general outlook for amicable settlement of the *Dutch-Indonesian negotiations* at the round table conference now in session at The Hague remains hopeful, although reported deadlocks over important problems of implementing the promised "real, complete and unconditional" transfer of sovereignty to a United States of Indonesia could have unfortunate results. Unless acceptable compromises can be promptly reached, conservative opposition in the Netherlands and the restlessness of Indonesian hotheads may upset the precarious *modus vivendi* now being sought on both sides.

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